

2. (1.75 points)

a. (0.25 point)

Define model law, as used by the NAIC.

b. (0.5 point)

Briefly describe two ways that states benefit from model laws.

c. (0.5 point)

Describe a way that insurers benefit from model laws.

d. (0.25 point)

Briefly describe a reason that a state might modify a particular model law.

e. (0.25 point)

Briefly describe a reason that a state might not adopt a particular model law.

SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 2	
TOTAL POINT VALUE: 1.75	LEARNING OBJECTIVE: A1
SAMPLE/ACCEPTED ANSWERS	
Part a: 0.25 point	
<p>There were numerous correct answers on this part. This sample of correct answers reflects the group:</p> <ul style="list-style-type: none">• Law constructed by the NAIC as guideline for state legislators.• To streamline state regulatory process, NAIC drafts model laws and state regulators review and modify or adopt as is.• A model law is a law developed by the NAIC which is suggested for use in all states. The states can adopt, decline or modify the law.• Laws written by the NAIC. Not actual laws. Suggestions for regulators to adopt.• A model law is a consistent law developed by the NAIC for adaptation by the state in order to promote uniformity among states.• NAIC promulgates model law as a basic standard for state DOI. Not mandatory though.• Uniform law created for use of different states.• Laws made by NAIC that can be used as a template when states making their own laws.• An industry standard produced by the NAIC with the intent that states adopt in full or adapt to the needs of their states.• Model law is a law that is promulgated by the NAIC. They draft a law and then suggest that the individual states legislate the model law.	
Part b: 0.5 point	
<p>For full credit, a candidate had to describe two ways that states benefit from model laws. We accepted numerous answers. Here is a sample of correct answers, of which a candidate had to have two:</p> <ul style="list-style-type: none">• States benefit each other by having the same or similar laws.• States benefit by having an organization that does the necessary research and drafting work that an individual state might otherwise have to do.• Streamlines the legislative process.• Save time and money.• Easier for regulators to peer review.• Easier to customize a law than start from scratch.• Helps for NAIC accreditation.• Easier to monitor insurers domiciled in other states.• Easier to pass the law.• Easier for states to regulate multi-state insurers.• Language of the law is tested• Become aware of legislation they had not realized they needed.• Keeps states up-to-date with changes in the regulatory environment• Laws address issues common across states.• Model laws are higher quality.• NAIC helps with law interpretations.• May help prevent federal involvement.	
Part c: 0.5 point	
<p>For full credit, a candidate had to either describe in detail one way or briefly describe two ways that insurers benefit from model laws. We accepted numerous answers. Here is a sample of correct</p>	

SAMPLE ANSWERS AND EXAMINER'S REPORT

answers:

One answer in detail:

- For insurers licensed in more than one state, compliance with varying state standards is much less expensive if the standards are uniform.
- Law will be consistent across states, so multi-state insurers need not spend to comply with differing laws across states.
- Insurers benefit from model laws because model laws provide uniformity across states regarding regulation. This alleviates insurers from excessive costs for filing varying documents.

Two answers in detail. A candidate had to have two for full credit:

- Lowers cost of entry into a new state/product.
- Lowers cost of monitoring differing laws in different states.
- Insurers don't have to push to get certain legislation considered.
- Policy forms tested and approved.

Part d: 0.25 point

There were numerous correct answers on this part. Here are examples of correct answers:

- Meet their state's particular needs
- Coordinate them with other laws.
- Parts conflict with other laws.
- May modify because of similar laws.
- To attract captive business.

Part e: 0.25 point

There were numerous correct answers on this part. Here are examples of correct answers:

- An individual state legislature views a particular model law as inappropriate or unnecessary because other state laws sufficiently address the issue.
- State legislatures have many matters to consider
- Legislators might view NAIC model laws as lower priorities than other matters.
- NAIC is usurping legislative process.
- Detrimental to economy or insurance industry in the state.
- Political pressure against the law.
- Law does not apply to the vast majority of insurers or insureds.
- May be another item on the (NAIC) agenda
- Legislature may disagree with the intent of the law.
- Legislature feels law does not improve anything.
- States don't have the manpower/resources to keep up with NAIC model laws.

EXAMINER'S REPORT

Part a

- The candidate was expected to know that model laws were guidelines that states could pass, modify, or not pass.
- For full credit, the candidate had to recognize that these laws were recommendations that states needed to decide how to respond to.
- The most common mistake was not mentioning that states needed to decide what to do with the model laws.

SAMPLE ANSWERS AND EXAMINER'S REPORT

Part b
<ul style="list-style-type: none">• The candidate was expected to be able to describe two ways that states benefit from model laws.• The candidate had to describe two ways that states benefit from model laws.• The most common mistake was writing “uniformity” or “consistency” without an explanation about <u>how</u> that benefits the state.• We did not give credit for the answer “Improves solvency regulation”.
Part c
<ul style="list-style-type: none">• The candidate was expected to be able to describe how insurers benefit from model laws.• For full credit, a candidate had to either describe in detail one way or briefly describe two ways that insurers benefit from model laws.• We did not give credit for the answer “easier”, without more explanation
Part d
<ul style="list-style-type: none">• The candidate was expected to be able to describe why states might modify a model law.• Candidates either received full credit or zero due to the fact that this was a 0.25 point question. Most candidates performed well on this question. Those that received zero credit had responses such as:<ul style="list-style-type: none">○ "Feds usurping state power"○ "NAIC was intruding on their process"○ "to be consistent with other states"○ "answer addressed specific points, use & file, age, sex, etc."
Part e
<ul style="list-style-type: none">• The candidate was expected to be able to describe why states might not adopt a model law.• Those that answered the question did well, but it appears some candidates forgot to answer it.